

But isn't procurement boring?

Sustainable public procurement and the Global Jobs Pact

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The Global Jobs Pact (ILO, 2009, para. 23) calls on governments to consider options for reducing poverty and inequity, increasing demand and contributing to economic stability. Minimum wage fixing is one way suggested. Leveraging public procurement in a decent work response to the crisis can be another.

So at least one government seems to have chosen a propitious moment to embark on its policy of responsible procurement.

Why procurement is so interesting

Public procurement spending is huge. It is a significant part of total expenditure in all countries of the world¹. Its role in the management of



national economies is correspondingly immense. In 2010 the world is marked by growing inequalities, where enabling legal frameworks cannot alone produce living wages and decent working conditions, and where workers' organisations suffer from critically weak bargaining positions.

If that was so in 2008 (ILO, 2008, paras 306-309), economic crisis now makes it all worse. In these circumstances, public law and enforcement are not necessarily the only means available to government in a competitive globalised economy: labour clauses in public contracts can also be highly effective.

Procurement could even be quite exciting, then.

¹ E.g. Total public procurement in the EU – i.e. the purchases of goods, services and public works by governments and public utilities – was estimated at about 16% of the Union's GDP or €1 500 billion in 2002 ([European Commission, 2008](#)). For OECD countries as a whole (figures published 11.02.02), the ratio of total procurement (consumption and investment expenditure) for all levels of government was estimated at 19.96% or USD 4 733 billion, and for non-OECD countries it was estimated at 14.48% or USD 816 billion. Total government procurement worldwide was estimated to be roughly equivalent to 82.3% of world merchandise and commercial services exports in 1998 ([OECD, 2002](#) - [\[pdf 216 KB\]](#)).

International social criteria for sustainable procurement

In October 2009, the Government of the Netherlands announced its hope of setting an example, by pursuing a policy of responsible procurement (Ministry of Housing, Spatial Planning and the Environment, 2009). It emphasises improving labour conditions and human rights in supply chains. The fundamental standards of the ILO², alongside rights enshrined in the Universal Declaration of Human Rights, will apply to procurement in all product groups. Where certain supply chain initiatives already exist³, further standards on pay, working hours, occupational safety and health and fair trade will also apply.

This policy builds on experience already gained with environmental criteria. But the approach and the conduct of the operation are different⁴.

Responsibility, process, transparency

The policy is first firmly anchored in well-established international norms which, as the ILO has demonstrated, enjoy very broad support among governments and employers, as well as trade unions. The mode of implementation of the policy in turn

focuses deliberately on the primary responsibility of the supplier, and the



supplier's duty to make its best efforts in a reasonable endeavour to fulfil its engagements under the social criteria. No guarantee is demanded.

But the expected performance may be nuanced in terms of the management of risk. Where supply chains extend into high risk situations and countries, greater care is required through active planning of measures taken to verify respect for the criteria and their consequences and reporting on results. Where the risk is lower, reliance on the supplier's own declarations can be that much greater. Participation by trade unions, along with multi-stakeholder supply chain initiatives where they exist for the selected products, is vital in providing advice and support, and in the verification processes.

The responsible procurement dimension of the social dimension of globalisation



The Netherlands Government policy

² See [ILO Declaration on Fundamental Principles and Rights at Work](#), 1998, and the related Conventions on freedom of association, the right to organise and collective bargaining; freedom from discrimination; freedom from child labour; and freedom from forced labour ([ILO, 2004](#) - [pdf 38 KB]).

³ So far coffee, tea, cocoa, textiles, natural stone and flowers have been specified.

⁴ Thanks go to Jos Huber, Ministry of Social Affairs and Development of the Netherlands, for her presentation "[Social public procurement - Experiences in the Netherlands](#)" - [pdf 617 KB], presented at the ILO on 23 February 2010.

fits very well with commitments by virtue of the 1998 Declaration for governments, employers and workers each in their respective ways to promote fundamental principles and rights at work. It brings to mind also the tripartite resolution concerning the promotion of sustainable enterprises adopted by the ILO Conference in 2007, calling on governments to promote social and environmental standards in public procurement, investment programmes and lending policies, setting a strong example in respect for workers' rights (ILO, 2007, para 16(4)).

Of particular interest are the conditions for qualification of supply chain initiatives. They must be multi-stakeholder; they must use reliable verification procedures and report annually; and they must conform to ILO indications on the application of labour standards.

What happens next?

The Dutch policy will be rolling out in 2010-11, with a view to evaluation by 2012. In a period when economic recovery is anticipated, it is an approach which presents a very attractive prospect of government using existing policy tools and mechanisms in a manner which has not yet been fully explored.

As it takes place of course in a European context, the policy has been prudently conceived in order to be consistent with EU Directives. But there is also a global context, in which aid agencies, international financial institutions and the multilateral system more generally make provision for the

incorporation of labour standards in procurement contracts⁵.



And while we are duly thinking globally, we should not forget about acting locally at both ends of procurement processes. The Dutch national policy envisages local government following central government in this. Within any given country, the segmentation of total public procurement among authorities at various levels and with various sectoral competences is an important consideration. At least seven states and 38 cities of the USA - these already representing very significant volumes of public spending - already use international labour standards in their procurement (Harrison Institute for Public Law, ILO, 2009). Meanwhile, by way of further illustration, total spending by the Greater London Authority in 2006/7 was £3.166 billion (Greater London Authority, 2008).

How can it not be interesting also that, at a time when many countries in the world are close to powerless to address accentuated economic crisis on their own, there are others where public authorities which wish to pursue and stimulate social responsibility can find a way to do so which actually helps

⁵ E.g. The World Bank. 2007. *Procurement of works & user's guide: Standard bidding documents* - [pdf 3.29 MB] (Washington D.C.), pp. 149-154.

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those worse placed countries? And that way is through cooperation with the socially responsible private sector.

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Further Resources

ILO Publications

International Labour Office. 2009. [Global dialogue forum on decent work in local government procurement for infrastructure provision: report](#) - [pdf 375 KB] (Geneva).

International Labour Office. 2009. [Background document](#) - [pdf 102 KB], Global Dialogue Forum on Decent Work in Local Government Procurement for Infrastructure Provision, Geneva, 17-18 Feb. 2009 (Geneva).

International Labour Office. 2008. [Labour Clauses \(Public Contracts\) Convention, 1949 \(No. 94\) and Recommendation \(No. 84\) : a practical guide](#) - [pdf 2.20 MB] (Geneva).

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Murie, F. 2009. [BWI strategies to promote decent work through procurement: the example of the Bujagali Dam project in Uganda](#) - [pdf 218 KB] (Geneva, ILO).

ILO Labour Standards
[Labour Clauses \(Public Contracts\) Convention, 1949 \(No. 94\)](#)

[Freedom of Association and Protection of the Right to Organise Convention, 1948 \(No. 87\)](#)

[Right to Organise and Collective Bargaining Convention, 1949 \(No. 98\)](#)

[Forced Labour Convention, 1930 \(No. 29\)](#)

[Abolition of Forced Labour Convention, 1957 \(No. 105\)](#)

[Minimum Age Convention, 1973 \(No. 138\)](#)

[Worst Forms of Child Labour Convention, 1999 \(No. 182\)](#)

[Equal Remuneration Convention, 1951 \(No. 100\)](#)

[Discrimination \(Employment and Occupation\) Convention, 1958 \(No. 111\)](#)

[Labour Clauses \(Public Contracts\) Recommendation, 1949 \(No. 84\)](#)

ILO Videos
[The social dimension of public procurement](#) 

ILO Websites
[International Labour Standards](#)

[Programme for the Promotion of the ILO Declaration on Fundamental Principles and Rights at Work](#)

[Sectoral Activities: Global Dialogue Forum on Decent Work in Local Government Procurement for Infrastructure Provision](#)